

PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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MEMORANDUM

TO: MWRA Retirement Board

FROM: John W. Parsons, Esq., Executive Director

RE: Approval of Funding Schedule

DATE: June 1, 2020

This Commission is hereby furnishing you with approval of the revised funding schedule you recently adopted (copy enclosed). The schedule assumes payments are made on July 1 of each fiscal year. The schedule is effective in FY21 and is acceptable under Chapter 32.

The funding schedule reflects a reduction in the investment return assumption from 7.25% to 7.10% and the adoption of a \$14,000 COLA base effective July 1, 2020 and a \$15,000 COLA base effective July 1, 2021. The Board adopted a schedule that completes the amortization of the unfunded liability by June 30, 2030 and accordingly, made a significant increase in the FY21 and future appropriations.

If you have any questions, please contact PERAC's Actuary, John Boorack, at (617) 666-4446, extension 935.

JWP/jfb

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Funding Schedule 3 – 7.10% Investment Return Assumption

Fiscal 2021 appropriation set to \$10 million
 Appropriations increase 12.05% per year
 Fully funded by June 30, 2030

(1) Fiscal Year Ended June 30	(2) Employer Normal Cost	(3) Amortization of Unfunded Actuarial Accrued Liability	(4) Actuarially Determined Contribution (ADC): (2) + (3)	(5) Unfunded Actuarial Accrued Liability at Beginning of Fiscal Year	(6) Percent Increase in ADC Over Prior Year
2021	\$3,821,393	\$6,178,607	\$10,000,000	\$90,476,033	--
2022	3,956,949	7,248,051	11,205,000	90,282,543	12.05%
2023	4,097,232	8,457,971	12,555,203	88,929,941	12.05%
2024	4,242,405	9,825,699	14,068,104	86,185,480	12.05%
2025	4,392,634	11,370,677	15,763,311	81,781,325	12.05%
2026	4,548,095	13,114,695	17,662,790	75,409,804	12.05%
2027	4,708,967	15,082,189	19,791,156	66,718,062	12.05%
2028	4,875,435	17,300,555	22,175,990	55,302,020	12.05%
2029	5,047,692	19,800,505	24,848,197	40,699,569	12.05%
2030	5,225,937	22,382,897	27,608,834	22,382,897	11.11%
2031	5,410,375	0	5,410,375	0	-80.40%
2032	5,601,219	0	5,601,219	0	3.53%

Notes:

Fiscal 2021 Actuarially Determined Contribution set to \$10 million.

Actuarially Determined Contributions are assumed to be paid on July 1.

Item (2) reflects 3.0% growth in payroll, plus an additional 0.15% adjustment to total normal cost to reflect the effects of mortality improvement due to generational mortality assumption.

Projected normal cost does not reflect the impact of pension reform for future hires.

Projected unfunded actuarial accrued liability does not reflect the recognition of deferred investment gains.